

**LEASE FOR OIL, GAS AND OTHER LIQUID
OR GASEOUS HYDROCARBON MINERALS**

STATE OF LOUISIANA
PARISH OF EAST BATON ROUGE
Louisiana State Lease Form Revised 2016

State Lease No. _____

WHEREAS, under the provisions of Subpart A of Chapter 2, Title 30 of the Louisiana Revised Statutes, and other applicable laws, the State Mineral and Energy Board ("**Board**") of the State of Louisiana ("**State**" or "**Lessor**") advertised for bids for a lease covering oil, gas and other liquid or gaseous hydrocarbon minerals in solution produced with oil or gas on the property described below; and

WHEREAS, in response to required advertisements, bids were received and duly opened in the City of Baton Rouge, Parish of East Baton Rouge, State of Louisiana on the ____ day of _____, 20XX at a meeting of the Board; and

WHEREAS, on the ____ day of _____, 20XX ("**Effective Date**"), the Board accepted the bid of _____ and awarded this Lease to _____ ("**Lessee**"), whose address is _____, as the most advantageous to the State as Lessor.

NOW THEREFORE, be it known and remembered that the Board, acting under said authority for and on behalf of the State, as Lessor, does hereby lease, let and grant unto said Lessee the Leased Premises as defined below for the purpose of exploring by any method including, but not limited to seismic, geophysical and geological exploration for formations or structures, prospecting, drilling for and producing oil, gas and any other liquid or gaseous hydrocarbon minerals in solution produced with oil or gas, hereinafter sometimes referred to as oil, gas or other liquid or gaseous minerals. This grant of authority shall include the exclusive right to explore and produce oil, gas and other liquid or gaseous hydrocarbon minerals in solution produced with oil or gas on the Leased Premises at the depths covered by this Lease. In connection therewith, Lessee shall have the right to use so much of the Leased Premises as reasonably may be necessary for such operations including, but not limited to storing minerals and fluids in facilities (or by means other than subsurface storage), laying pipelines, dredging canals, building roads, bridges, docks, tanks, power stations, telephone and electric transmission lines, and other structures and/or facilities.

The property ("**Leased Premises**") subject to this Lease, situated in the Parish(es) of _____, State of Louisiana, is more fully described as follows:

(PROPERTY DESCRIPTION)

This Lease excludes free sulfur, potash, lignite, salt and other solid minerals, and geothermal energy. Lessee shall not have any right to explore, drill for, mine, produce or take any action whatsoever in regard to any such solid mineral deposits, nor any right under this Lease in regard to alternative energy sources as defined by La. R.S. 30:124.

Should this Lease, when executed or thereafter, not cover all depths as to the Leased Premises or a portion thereof, the rights of Lessor or another lessee to conduct operations for the exploration, development and production of oil, gas or other liquid or gaseous minerals as to such excluded depths shall be exercised with reasonable regard for the rights of Lessee (as provided in La. R.S. 31:11), and vice versa.

1 Notwithstanding any language herein to the contrary, the rights granted herein to
2 Lessee shall be subject to the surface usage for seismic and geophysical exploration by
3 any seismic permittee of the State whose valid permit predates the Effective Date of this
4 Lease but only to the extent that such permit covers all or a portion of the surface area
5 encompassed within the geographical boundary of the Leased Premises. The said seismic
6 permittee shall owe Lessee no duty to share seismic or geophysical information acquired
7 under the predating permit nor to reimburse Lessee for surface usage, but said seismic
8 permittee shall not unreasonably interfere with Lessee's exercise of its rights acquired
9 hereunder.

10
11 Notwithstanding any language herein to the contrary, the rights granted herein to
12 Lessee shall be subject and subservient to surface usage for integrated coastal protection
13 or hurricane and flood protection projects promulgated, funded and/or effected through
14 the State of Louisiana, the Coastal Protection and Restoration Authority, the Department
15 of Natural Resources and/or their divisions, whether solely or in conjunction with other
16 federal, state or local government agencies, or with private individuals or entities. Lessee
17 shall hold the State, its departments, agencies, boards and commissions including, without
18 limitation, the Coastal Protection and Restoration Authority, the Department of Natural
19 Resources, the Office of Mineral Resources ("**OMR**"), the Board and their officers,
20 employees, agents and representatives, and the United States government, its departments,
21 agencies and divisions, together with their respective officers, employees, agents and
22 representatives, free and harmless of and from any claims, actions and/or causes of action,
23 except as limited by law, for loss, harm or damage to the rights of any party arising under
24 this Lease or any other contract, permit or license of Lessee related to this Lease caused
25 by the diversion of freshwater or sediment, depositing of dredged or other materials,
26 integrated coastal protection projects, or any other such action taken for the purpose of
27 management, preservation, enhancement, creation, protection or restoration of coastal
28 wetlands, water bottoms or related public or renewable resources. Lessee, in the exercise
29 of its rights granted hereunder, shall utilize the best technology commercially available,
30 including directional drilling, so as to minimize interference with the ongoing surface
31 usage entailed in the development, construction and maintenance of said integrated
32 coastal protection and/or hurricane and flood protection projects.

33
34 The captions or headings in this Lease are for convenience only and in no way define,
35 limit or describe the scope or intent of any provision of this Lease.

36
37 The references in this Lease to statutes and regulations apply to the statute and
38 regulation as such existed at the time this Lease was revised and also to any amended or
39 successor statute or regulation.

40 **DEFINITIONS**

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43 For purposes of this Lease, the following definitions shall apply:

44
45 (A) "**Acceptable Lease Operations**" shall mean either Actual Drilling Operations or
46 Actual Reworking Operations, as defined below, on the Leased Premises or on
47 lands pooled or unitized with any or all portions thereof.

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49 (1) "**Actual Drilling Operations**" shall mean any of the following on the
50 Leased Premises or on lands pooled or unitized with any or all portions
51 thereof: (a) drilling commenced by spudding-in of a new well, (b)
52 deepening or sidetracking of an existing well, (c) plugging back or
53 attempted recompletion in a separate interval of an existing well (all such
54 operations being commenced by actual downhole operations), or (d)
55 completing any such well.

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Actual Drilling Operations shall be deemed to terminate on the last day downhole operations of any kind, such as drilling, testing or Installation of Equipment, are conducted in good faith for the purpose of attempting to discover minerals or complete a well as a producer.

(2) **“Actual Reworking Operations”** shall mean reconditioning, cleaning out or otherwise attempting to directly establish, increase or restore production in an existing well located on the Leased Premises or on lands pooled or unitized with any or all portions thereof by downhole operations.

Actual Reworking Operations shall be deemed to terminate on the last day any such downhole operations are conducted in good faith for the purpose of establishing, increasing or restoring production.

Under no circumstances shall drilling or otherwise creating salt water disposal wells constitute actual drilling or reworking operations for purposes of maintaining this Lease.

(3) **“Installation of Equipment”** shall mean the installation of equipment in the wellbore that is necessary to complete the well as a producer and/or to maintain downhole completion activity. The installation of flowlines or other surface facilities needed to produce the well shall not be considered as Actual Drilling Operations.

(B) **“Affiliated Party”** shall mean any business concern, organization, or individual that controls, is controlled by or is under common control with Lessee. The power to control is the key factor in affiliation with another business concern, whether exercised or not.

(1) Control may consist of:
(a) Shared management or ownership;
(b) Common use of facilities, equipment, and employees; and/or
(c) Family interest.

(2) Indicators of Lessee affiliates may include:
(a) Common ownership; and/or
(b) Common management and identity of interest.

(3) Power to control exists when a person or entity has 50% or more ownership. It may also exist with considerably less than 50% ownership by contractual arrangement or when a person or entity owns a large share compared to other parties.

(4) The term “Affiliated Party” shall apply to an Affiliated Party (as defined above) that is a marketing firm engaged in the sale of Lessee’s oil, gas or products.

(C) **“Anniversary Date”** shall mean the same date on each next ensuing year or years after the Effective Date of this Lease.

(D) **“Leasehold Payments”** shall mean rental payments, Deferred Development Payments, Shut-In Payments and any other payments allowed to maintain this Lease in whole or in part.

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- (E) **“Non-Affiliated Party”** shall mean a person, company, firm or other business unit that is not an Affiliated Party.
- (F) **“Outside Acreage”** shall mean that portion of the Leased Premises not included in a Unit or Units on which Unitized Operations are being conducted.
- (G) **“Production in Paying Quantities”** shall mean production in paying quantities as defined by La. R.S. 31:124 from Leased Premises or lands pooled or unitized with any or all portions thereof and, in addition, notwithstanding the provisions of La. R.S. 31:125, the amount of royalties payable on such production must also be sufficient to constitute serious or adequate consideration.
- (H) **“Rental Paying Date”** shall mean the Anniversary Date during the Primary Term.
- (I) **“Restore”** or **“Restoration”** with respect to any specified portion of the Leased Premises means to restore such portion of the Leased Premises, to the extent possible and practical, in accordance with the regulatory standards provided in Office of Conservation Statewide Order 29-B (or any future replacement regulations therefor), except to the extent any changes are due to normal erosion, settlement and topographical changes or changes caused by Lessor, one or more third parties or acts of God.
- (J) **“Unit”** shall mean pooled mineral acreage by order of a governmental agency or by conventional agreement approved by Lessor.
- (K) **“Unitized Operations”** shall mean Production in Paying Quantities and/or Acceptable Lease Operations attributed to one or more wells designated or otherwise constituting unit wells, cross unit wells, substitute unit wells and/or alternate unit wells in one or more Units encompassing all or a portion of the Leased Premises.

ARTICLE 1 - BONUS

Lessee has this day paid to Lessor a cash bonus payment of _____ (\$_____) Dollars, one-half (1/2) of which is (a) full and adequate consideration for every right granted hereunder, and one-half (1/2) of which is (b) the annual rental for the first year of this Lease.

ARTICLE 2 - PRIMARY TERM

- (A) Subject to the provisions hereof, this Lease shall be for a term of ____ () years (**“Primary Term”**) and for so long thereafter as Acceptable Lease Operations are in progress or Production in Paying Quantities is being obtained, or Leasehold Payments are made or conditions exist that continue this Lease in force and effect according to its terms.
- (B) However, if this Lease is for an inland tract that originally carries a Primary Term of three (3) years or less, Lessor may extend the Primary Term by two (2) years if, prior to expiration of the original Primary Term, Lessee shall demonstrate to the satisfaction of Lessor that at least one of the following conditions has been met:
 - (1) This Lease is included within a Unit (or a pilot project has been approved by the Office of Conservation for a Unit, or Lessee has filed an application for a Unit under La. R.S. 30:5(C) for inclusion of all or a portion of the Leased

1 Premises within a Unit) for the purpose of conducting a secondary or
2 tertiary recovery project; or

3 (2) Lessee has commenced activities necessary for the drilling of an ultra-deep
4 well including, but not limited to having applied for a permit to drill an
5 ultra-deep well, having formed a Unit including all or a portion of the
6 Leased Premises for the purpose of drilling an ultra-deep well, or having
7 provided a signed affidavit by Lessee stating that this Lease will be
8 included, in whole or in part, in a Unit for the purpose of drilling an ultra-
9 deep well, or that this Lease is included in a lease block maintained in
10 support of the drilling of an ultra-deep well. For purposes of this paragraph
11 only, “*ultra-deep*” shall mean a true vertical depth (“*TVD*”) of twenty-two
12 thousand feet (22,000’) or greater.

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14 Lessor may extend the Primary Term of this Lease through an acknowledgment
15 Resolution having the effect of an amendment of this Lease.

16
17 (C) If the Primary Term is extended under Article 2(B)(1) or (2) above, the failure of
18 Lessee (or the designated operator), before the end of the extended Primary Term,
19 to commence secondary or tertiary recovery operations or to commence drilling of
20 the ultra-deep well and reach the required TVD (unless prevented due to
21 mechanical or other related downhole causes), shall subject Lessee, after demand,
22 to liquidated damages equal to double the annual rental payment, payment of
23 which shall be due within thirty (30) days after demand, regardless of whether this
24 Lease is held by other production or Acceptable Lease Operations not qualifying as
25 a secondary or tertiary recovery project.

26
27 Should the drilling of the ultra-deep well fail to reach the depth requirements for
28 ultra-deep designation during the extended Primary Term, no liquidated damages
29 will be due as long as continuous drilling operations on the well required by
30 Article 2(B)(2) above on said well (and/or another ultra-deep well) are ongoing
31 without cessation of those operations for greater than one hundred eighty (180)
32 consecutive days and the required depth is reached.

33
34 **ARTICLE 3 - LEASE MAINTENANCE PAYMENTS**

35
36 (A) Rental Payments:

37
38 If Actual Drilling Operations or Production in Paying Quantities are not
39 commenced hereunder on or before the first Anniversary Date, this Lease shall
40 then terminate unless Lessee, on or before such date, pays to Lessor the sum of
41 _____ (\$_____) Dollars as rental as set forth in Article 1(b), which
42 payment shall extend for twelve (12) months the time within which Actual Drilling
43 Operations or Production in Paying Quantities may be commenced. Thereafter,
44 annually, in like manner and upon like payments, all of Lessee’s rights hereunder
45 may be maintained without Actual Drilling Operations or Production in Paying
46 Quantities for successive periods of twelve (12) months each during the Primary
47 Term. Payment of rental by Lessee may be made by check, wire or draft payable
48 to the order of the Office of Mineral Resources and delivered or mailed to OMR on
49 or before the Rental Paying Date.

50
51 (1) On any Rental Paying Date, if Actual Drilling Operations are being
52 conducted on or Production in Paying Quantities is being obtained from the
53 Leased Premises, no rental shall be due (and this Lease shall remain in
54 effect) for the annual rental period then commencing. If Actual Drilling

1 Operations are abandoned and/or Production in Paying Quantities ceases at
2 any time within a period of ninety (90) days prior to any Rental Paying
3 Date, Lessee shall have a period of ninety (90) days after the date of such
4 abandonment of Actual Drilling Operations or cessation of Production in
5 Paying Quantities within which to commence or resume such Actual
6 Drilling Operations or Production in Paying Quantities on the Leased
7 Premises, or make the rental payment. The commencement or resumption of
8 Actual Drilling Operations or Production in Paying Quantities or payment
9 of rental within the ninety (90) day period shall have the same effect as
10 though such were commenced, resumed or paid on or before the Rental
11 Paying Date.

12
13 (2) In the final year of the Primary Term, if Acceptable Lease Operations or
14 Production in Paying Quantities are not in progress at the end of the Primary
15 Term, then this Lease shall expire at the end of the Primary Term.
16 However, if Acceptable Lease Operations and Production in Paying
17 Quantities cease within ninety (90) days prior to expiration of the Primary
18 Term or at any time after the Primary Term, and Lessee commences or
19 resumes Acceptable Lease Operations or Production in Paying Quantities
20 within ninety (90) days after such cessation, this Lease will continue for so
21 long as Acceptable Lease Operations or Production in Paying Quantities
22 continue without a lapse of greater than ninety (90) days between cessation
23 of Acceptable Lease Operations and Production in Paying Quantities and the
24 recommencement of Acceptable Lease Operations or Production in Paying
25 Quantities.

26
27 (3) This Lease may be maintained by directional drilling operations (deviation
28 from vertical), in which event such Actual Drilling Operations shall be
29 considered to have commenced on the Leased Premises when the drill stem
30 penetrates beneath the surface of the Leased Premises or lands pooled or
31 unitized with any or all portions thereof.

32
33 (B) Deferred Development Payments:

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35 Consistent with La. R.S. 30:129, and notwithstanding any other provision of this
36 Lease, during the Primary Term of this Lease or within one (1) year thereafter (if
37 this Lease is then in force and effect), if a portion of the Leased Premises is
38 included in a Unit, then commencement of Unitized Operations on that Unit shall
39 maintain this Lease as to the entirety of the Leased Premises. This provision is
40 subject, however, to the following:

41
42 (1) This Lease shall terminate (as provided herein) on the next Anniversary
43 Date after the commencement of such Unitized Operations as to the Outside
44 Acreage unless:

45
46 (a) On or before such Anniversary Date, Lessee pays Lessor a sum equal
47 to one-half of the per-acre cash bonus payment made for this Lease
48 multiplied by the number of acres then comprising the Outside
49 Acreage ("*Deferred Development Payment*"); or

50
51 (b) Within ninety (90) days of commencement of such Unitized
52 Operations that are commenced within ninety (90) days before such
53 Anniversary Date, Lessee pays Lessor a full Deferred Development
54 Payment; or

- 1 (c) Acceptable Lease Operations are being conducted and/or Production
2 in Paying Quantities is being obtained from the Outside Acreage as of
3 such Anniversary Date; or
4
- 5 (d) Acceptable Lease Operations and Production in Paying Quantities on
6 the Outside Acreage ceased within ninety (90) days before such
7 Anniversary Date, and Acceptable Lease Operations or Production in
8 Paying Quantities are resumed as to the Outside Acreage within
9 ninety (90) days of such cessation; or
10
- 11 (e) Acceptable Lease Operations and Production in Paying Quantities on
12 the Outside Acreage ceased within ninety (90) days before such
13 Anniversary Date, and Lessee pays Lessor a Deferred Development
14 Payment within ninety (90) days of said cessation; or
15
- 16 (f) Lessee is otherwise maintaining the Outside Acreage as of such
17 Anniversary Date by annual rental payments or Shut-In Payments.
18
- 19 (2) The Deferred Development Payment shall maintain the Outside Acreage
20 until the next Anniversary Date. Lessee may maintain the Outside Acreage
21 of this Lease by Deferred Development Payments for up to two (2) years
22 beyond the Primary Term.
23
- 24 (3) After expiration of the periods for which a Deferred Development Payment
25 would be available, if the Outside Acreage of this Lease is not otherwise
26 being maintained, this Lease shall terminate as to all Outside Acreage.
27
- 28 (4) Nothing contained in this Article 3(B) is intended to create nor shall have
29 the effect of creating several or separate Leases, or in any manner serve to
30 extend, increase or limit the obligation of Lessee to protect the Leased
31 Premises from drainage as stated in this Lease or otherwise.
32
- 33 (5) The provisions of this Article 3(B) shall apply to any Unit that wholly or
34 partially underlies any or all of the Leased Premises.
35
- 36 (C) Shut-In Payments:
37
- 38 If at any time or times (during or after the Primary Term) there are Qualifying
39 Conditions (as defined below) in effect and the Lease (in its entirety or as to any
40 portions) is not otherwise being maintained, then the Lease can be maintained in
41 full force and effect by the payment of a Shut-In Payment (as defined below) in
42 accordance with the following provisions.
43
- 44 Lessee's utilization of this provision requires Lessor's approval and shall be at the
45 sole discretion of Lessor, which approval shall not be unreasonably withheld.
46 Lessee's request for such approval must include proof of the Qualifying
47 Conditions (as set forth below) and must be received by Lessor before the
48 commencement of the applicable Shut-In Period (as defined below).
49
- 50 (1) Lessee may request to make a semi-annual payment ("**Shut-In Payment**")
51 to maintain this Lease for a six (6) month period ("**Shut-In Period**")
52 provided the following conditions ("**Qualifying Conditions**") are met:
53
- 54 (a) There is a shut-in well(s) on the Leased Premises or within a Unit(s)
55 that include all or a portion of the Leased Premises;

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- (b) Such well(s) is capable of oil and/or gas Production in Paying Quantities;
 - (c) Oil and/or gas from such well(s) is not being used, produced or marketed because of the lack of a marketing contract or production/marketing facilities; and
 - (d) Lessee has made and is continuing to make good faith reasonable efforts to secure a marketing contract or production/marketing facilities.
- (2) Lessee's requests to Lessor and the required Shut-In Payments shall be in accordance with the following:
- (a) During any year for which this Lease is maintained pursuant to (A) or (B) of Article 3, a Shut-In Payment shall not be required before the next Anniversary Date. Except as provided in paragraphs (b) through (d) below, Lessee's request for Shut-In Payment authority must be received prior to such Anniversary Date.
 - (b) If Qualifying Conditions are in effect less than ninety (90) days prior to an Anniversary Date for which a rental payment may be made, Lessee's request must be received and the Shut-In Payment submitted within ninety (90) days after such Qualifying Conditions are first in effect.
 - (c) If the Qualifying Conditions are in effect less than ninety (90) days prior to the end of the Primary Term or any time beyond the Primary Term, Lessee's request and the Shut-In Payment must be received prior to expiration of the Lease.
 - (d) Subsequent requests for consecutive Shut-In Periods must be received prior to the end of the then existing Shut-In Period. The requested period, if authorized, shall commence upon expiration of the then existing Shut-In Period.
- (3) Each Shut-In Payment shall be at the rate of Fifty (\$50.00) Dollars per acre for the acreage not otherwise maintained under the terms of this Lease, but in no event shall payment be less than One Thousand (\$1,000.00) Dollars. Shut-In Payments are due prior to the commencement of each Shut-In Period.
- (4) Each Shut-In Payment shall maintain this Lease for a period of six (6) months. During each such period, it shall be considered that there is Production in Paying Quantities for Lease maintenance purposes only.
- (5) Lessee may request up to a maximum of six (6) consecutive Shut-In Periods if the aforesated Qualifying Conditions persist and provided that, prior to the end of each Shut-In Period, Lessee obtains Lessor's authorization in accordance herewith. Thereafter, if circumstances warrant, at a future date Lessee may again request and be authorized by Lessor to utilize this shut-in provision in accordance with the terms and requirements herein.

1 (6) Notwithstanding the limitation upon consecutive Shut-In Periods in Article
2 3(C)(5) above, for compelling reasons proven to the satisfaction of Lessor,
3 Lessee may request, and Lessor may grant an additional Shut-In Period or
4 periods in accordance with the terms and requirements herein, with any such
5 extension(s) to be approved via an acknowledgment Resolution having the
6 effect of an amendment of this Lease.
7

8 (7) After the last day of any Shut-In Period, this Lease shall terminate unless
9 another Shut-In Period is authorized or this Lease is maintained under any
10 other provision under this Lease.
11

12 **ARTICLE 4 – TRANSFERS AND ASSIGNMENTS**

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14 In accordance with La. R.S. 30:128, the parties hereto understand and agree to the
15 following:

16
17 (A) No assignment, sublease or other transfer (collectively “*Assignment*”), in whole or
18 in part, of any rights or interests granted to Lessee under this Lease shall be valid
19 unless approved by Lessor.
20

21 (B) Lessor’s approval is not required for the granting of a mortgage in, collateral
22 assignment of production from, or other security interest in a mineral lease or
23 sublease or the transfer of an overriding royalty interest, production, payment, net
24 profits interest, or similar interest in a mineral lease or sublease.
25

26 (C) Prior or subsequent to any Assignment, but in no event later than sixty (60) days
27 from the date of execution of the Assignment, the assignor shall present to OMR a
28 request for approval of the Assignment by Lessor. Failure to do so shall subject
29 the assignor to the required statutory penalty beginning on the sixty-first (61st) day
30 following the date of execution of the Assignment.
31

32 Additionally, upon the Lessor’s approval of an Assignment of any undivided
33 interest of less than 100% granted under this Lease in the Leased Premises (or
34 any portion thereof), the assignor(s), in collaboration with the
35 assignee(s)/transferee(s), shall designate in writing the individual responsible
36 for receiving the notices required or permitted hereby with respect to such
37 co-owned portion of the Leased Premises; provided, however, that Lessor shall
38 not seek to terminate this Lease in whole or in part or assess any penalty or
39 liquidated damages on any co-lessee(s) without providing direct written notice
40 to such co-lessee(s). Exceptions from this requirement shall require Board
41 approval.
42

43 (D) An Assignment by Lessee, notwithstanding approval by Lessor, and regardless of
44 any understanding, agreement, language or reference set forth in the Assignment
45 instrument, and in accordance with the applicable provisions of The Mineral Code
46 of the State of Louisiana, does not release nor relieve the assignor(s) from
47 satisfying and complying with the terms, conditions, duties, responsibilities and/or
48 obligations required by this Lease.
49

50 (E) Lessee understands and agrees that Lessor may refuse to consent to such
51 Assignment if, in the Lessor’s reasonable opinion, the proposed assignee/transferee
52 lacks the necessary financial capacity to meet the obligations required by this
53 Lease or technical capacity to sustain reasonable development of the Leased
54 Premises. Should Lessor not approve the Assignment, regardless of whether the
55 Assignment instrument is duly recorded, the assignor and its ancestors in title shall

1 remain responsible for satisfying and complying with the terms, conditions, duties,
2 responsibilities and obligations of this Lease.

3
4 (F) Upon approval of the Assignment by Lessor, all terms, provisions, conditions,
5 duties, responsibilities and obligations of this Lease shall be binding upon and
6 inure to the benefit of approved assignee(s)/transferee(s), except as otherwise set
7 forth herein.

8
9 (G) Assignees, sublessees and other transferees are responsible for researching the
10 records maintained by OMR and the Clerk of Court in and for the parish(es)
11 wherein the Leased Premises is located to determine whether this Lease proposed
12 for assignment remains valid and is subject to lawful assignment by the assignor.

13
14 **ARTICLE 5 - FORCE MAJEURE AND SUSPENDING EVENTS**

15
16 (A) If, at any time this Lease is being maintained, Lessee is prevented from continuing
17 Acceptable Lease Operations and/or Production in Paying Quantities by the
18 occurrence of a Force Majeure or Suspending Event (herein “**Incident**”), both
19 hereinbelow defined, and Lessee cannot maintain this Lease under any other
20 operative provision hereof, such as the payment of annual rental, Deferred
21 Development Payment or Shut-In Payment, then and only then shall the date for
22 Lessee to re-commence Acceptable Lease Operations and/or Production in Paying
23 Quantities be postponed on a day-for-day basis for so long as the adverse effects
24 upon Lessee’s Acceptable Lease Operations and/or Production in Paying
25 Quantities prevail.

26
27 (B) Lessor may recognize the Incident provided that Lessee has submitted:

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29 (1) Written notice of the occurrence within ninety (90) days of the Incident
30 onset;

31
32 (2) An affidavit containing:

33
34 (a) The onset date, description and nature of the Incident;

35 (b) The effects preventing continuation of Acceptable Lease Operations
36 or Production in Paying Quantities;

37 (c) The steps being taken to mitigate and eliminate those effects; and

38 (d) An estimated time for resumption of Acceptable Lease Operations or
39 Production in Paying Quantities.

40
41 (3) Evidence of Lessee’s diligent, reasonable and good faith efforts to mitigate
42 and eliminate the effects of the Incident and to resume Acceptable Lease
43 Operations and/or Production in Paying Quantities; and

44
45 (4) Any other information or documentation evidencing the existence of the
46 Incident requested by Lessor.

47
48 (C) If Acceptable Lease Operations and/or Production in Paying Quantities cease prior
49 to the Incident onset (or during the period in which the Incident is still in effect),
50 and the Incident prevents Lessee from re-establishing Acceptable Lease Operations
51 and/or Production in Paying Quantities, then the date for Lessee to re-establish
52 Acceptable Lease Operations and/or Production in Paying Quantities shall be
53 extended by the period of time during which Lessee was prevented from re-
54 establishing Acceptable Lease Operations and/or Production in Paying Quantities.

- 1 (D) The occurrence of an Incident shall not maintain this Lease for more than twelve
2 (12) months from the date of the Incident onset unless extended by Lessor. To
3 utilize Article 5, Lessee shall be required to submit written, detailed reports on a
4 monthly basis to OMR and demonstrate the ongoing efforts by Lessee to mitigate
5 the effects of the Incident.
6
- 7 (E) A “*Force Majeure*” event, as herein utilized, shall be a fortuitous event that is
8 beyond Lessee’s control and is not ultimately determined to be caused by Lessee
9 nor due to Lessee’s negligent or intentional commission or omission, or failure to
10 take reasonable and timely foreseeable preventative measures that would have
11 mitigated or negated the effects of the event. A Force Majeure event may include
12 (1) a major storm, major flood or other similar natural disaster, or (2) a major
13 accident such as a blowout, fire or explosion.
14
- 15 (F) A “*Suspending Event*”, as herein utilized, shall be (1) the lack of availability, after
16 Lessee has diligently, timely and in good faith attempted to secure same, of any
17 required equipment and/or personnel, such as the specific type of rig or specific
18 type of casing or drill pipe, or (2) the unreasonable delay by any government
19 agency or political subdivision in granting permits necessary for Acceptable Lease
20 Operations or Production in Paying Quantities, or (3) an order of any federal or
21 state court of competent jurisdiction preventing Acceptable Lease Operations or
22 Production in Paying Quantities, or (4) the act of a third party, not under the
23 control or at the instigation of Lessee, in shutting down and unreasonably refusing
24 to reopen any facility through which hydrocarbons from this Lease are necessarily
25 passed as part of production (and provided there is no other reasonably economical
26 method of carrying on production), or (5) other events not described herein that are
27 recognized by Lessor.
28
- 29 (G) If the reports are not timely submitted or if Lessee did not attempt in good faith to
30 mitigate the effects of the Incident, Lessor, after notice and opportunity to be
31 heard, may declare the Incident recognition to be ended and that Lessee may not
32 after such failure utilize this provision to excuse any failure to comply with any
33 obligations of this Lease relating to the particular Incident involved.
34
- 35 (H) For purposes of this Article:
36
- 37 (1) An increase in costs of performing the obligations set forth in this Lease
38 shall not constitute circumstances beyond Lessee’s control;
39
- 40 (2) Lessee’s financial inability to comply with any of the obligations of this
41 Lease shall not be grounds for an extension of time;
42
- 43 (3) Notice (as required under Article 5(B)(1) above) given beyond ninety (90)
44 days shall be deemed unreasonable barring consequential extenuating
45 circumstances; and
46
- 47 (4) The interpretation and operation of any term of this Force Majeure and
48 Suspending Event provision are at the sole, reasonable discretion of Lessor.
49

50 ARTICLE 6 - POOLING AND UNITIZATION

- 51
- 52 (A) Lessee may, by order of the Commissioner of Conservation or by conventional
53 agreement with the consent and approval of Lessor, pool or unitize the Leased
54 Premises (or any portion thereof), including in combination with other property or
55 leases (or portions thereof). Unitized Operations from property other than the

1 Leased Premises within the pooled or unitized area shall have the same effect as if
2 said operations had occurred on the Leased Premises with respect to Lease
3 maintenance.
4

5 No conventional unit or pooling agreement shall be approved by Lessor unless a
6 unit plat compiled and certified by a licensed surveyor showing the unit outline and
7 each lease or other property interest within the Unit as having been surveyed
8 accompanies and is attached to the Unit or pooling agreement unless waived by
9 Lessor.
10

11 (B) Should Lessee apply or give notice of intent to apply to the Commissioner of
12 Conservation for the creation of any Unit or Units that would include all or any
13 portion of the Leased Premises, Lessee shall furnish Lessor with a copy of the
14 notice or application, accompanying unit plat, and all other attached information.
15 Said copies shall be furnished to Lessor either at the time the application is filed
16 with the Commissioner of Conservation or at the time required by applicable
17 orders or regulations of the Commissioner of Conservation for furnishing such
18 information, whichever is earlier. Unless waived by Lessor, if a Unit or Units
19 including all or any portion of the Leased Premises are created by order of the
20 Commissioner of Conservation, Lessee shall submit to Lessor a survey plat of each
21 Unit or Units so created, either prior to or within ninety (90) days of initial
22 production from the Unit (which time period may be extended by Lessor). The
23 survey plat of the Unit or Units must clearly identify the Leased Premises, the tract
24 acreage, and the unit percentage participation for same.
25

26 Failure of Lessee, after notice, to timely submit such a plat shall subject Lessee to
27 liquidated damages in the amount of One Hundred (\$100.00) Dollars per day. This
28 assessment shall commence on the thirty-first (31st) day after receipt of such notice
29 and continue until the required plat is provided. If Lessee submits the survey plat
30 within thirty (30) days after its receipt of such notice, then no damages are due.
31

32 (C) If a surface and/or subsurface agreement requested by Lessee for the drilling of a
33 well on or traversing the Leased Premises is granted by an agency of the State to
34 Lessee during the term of this Lease, Lessee shall furnish to Lessor copies of any
35 and all data required on the subject well in accordance with Article 8 below.
36 Further, a presumption shall exist, unless Lessee can reasonably demonstrate the
37 contrary to Lessor, that a Unit for the well should be formed to include a portion of
38 this Lease, and Lessee agrees to form a Unit either by a conventional agreement
39 approved by Lessor or make application to the Commissioner of Conservation for
40 the formation of such a Unit within six (6) months after completion of the subject
41 well. Once the Unit is formed, royalties attributable to the Leased Premises
42 included in the Unit will be paid back to the first date of production from the well.
43

44 (D) If on the Effective Date, all or any portion of the Leased Premises is included in a
45 Unit established by order of the Commissioner of Conservation with one or more
46 unit wells producing at that time and Lessee is a working interest owner in such
47 unit well or wells, Lessee agrees to pay royalty on all oil, gas or other liquid or
48 gaseous mineral produced and saved or utilized from such unit wells or wells and
49 attributable to the Leased Premises from the effective date of such Unit or from the
50 date Lessee acquired an interest in such well or wells, whichever is later, regardless
51 of whether all development and operating costs chargeable to the Leased Premises
52 have been paid. Nothing herein shall be construed as requiring Lessee to pay
53 royalties under this Article 6(D) if royalties (or state interests) on such production
54 were paid pursuant to the terms of a previous lease (or state operating agreement)
55 with the State.

1
2 **ARTICLE 7 - OFFSET WELLS**
3

4 The obligations set forth in this Article apply to only wells that are drilled on “***Adjoining***
5 ***Property***” (which is defined as property that is (1) not the Leased Premises, (2) not part of
6 a Unit and (3) not part of state lease or state operating agreement having a royalty or state
7 interest rate equal to or greater than that set forth herein). Wells drilled on Adjoining
8 Property are hereafter referred to as “***Adjoining Wells***”.

9
10 (A) At any time during or after the Primary Term, if there is completed an Adjoining
11 Well located within six hundred and sixty feet (660’) of the Leased Premises (or
12 within any spacing or pooling unit distance greater than 660’ established by the
13 Commissioner of Conservation) and such Adjoining Well has production in paying
14 quantities for twenty (20) days (that need not be consecutive) during any period of
15 thirty (30) days, or produces its monthly allowable during any period of thirty (30)
16 days, Lessee agrees that the following rebuttable presumptions will arise: (1) that
17 the Leased Premises is thereby being drained; (2) that the Leased Premises is not
18 reasonably being protected from drainage by any well or wells on the Leased
19 Premises or lands pooled or unitized with any or all portions thereof hereafter
20 referred to as “Offset Well(s)”; and (3) that an Offset Well would be economically
21 feasible.

22
23 (1) If Lessee is the operator of or has a working interest in such Adjoining Well,
24 Lessee shall within ninety (90) days after the end of the above thirty (30)
25 day period either begin Actual Drilling Operations for an Offset Well or
26 commence (or cause to be commenced) unitization for the Adjoining Well.

27
28 (2) In all other cases, Lessee shall be required to begin such Actual Drilling
29 Operations for an Offset Well or commence (or cause to be commenced)
30 unitization for the Adjoining Well within ninety (90) days after receipt of
31 written notice from Lessor which notice shall not be sent until after the end
32 of the above thirty (30) day period.

33
34 The last day of the ninety (90) day periods addressed in (1) and (2) above shall be
35 referred to as the “***Maturity Date***”.

36
37 (B) No Offset Well shall be necessary if, on or before the Maturity Date, as it may be
38 deferred as hereinafter provided, any of the stated presumptions is rebutted or if a
39 Unit for the Adjoining Well in question is formed by agreement with Lessor or
40 created or under consideration by the Commissioner of Conservation.

41
42 (C) In lieu of commencing operations for an Offset Well or unitization for the
43 Adjoining Well as above provided, Lessee may, at its option, commence
44 compensatory payments to Lessor equal to the royalty herein provided, computed
45 on one-half (1/2) of the oil, gas or other liquid or gaseous minerals produced by the
46 Adjoining Well in question on and after the Maturity Date, value to be determined
47 in accordance with the royalty payment provisions of this Lease. Such payments
48 may be commenced on or before sixty (60) days after the Maturity Date, but shall
49 include any accrued compensatory payment commencing on the Maturity Date.
50 Thereafter, payments shall be due monthly in accordance with royalty payment
51 provisions herein.

52
53 Lessee shall not be in default in commencing compensatory payments or in making
54 further payments as above provided if, despite due diligence, Lessee is unable to
55 timely obtain the production information on which such payments are to be based.

1 In such case, however, Lessee must, on or before the payment due date, notify
2 Lessor, in writing, of Lessee's inability to make such payment, the reason(s)
3 therefor and Lessee's intention of making such payment at the earliest reasonable
4 time.
5

6 Compensatory payments may be continued, at Lessee's discretion, for not more
7 than one (1) year from the Maturity Date. At the end of that time, or within thirty
8 (30) days from the end of any lesser period for which payments are made, Lessee
9 shall comply with this offset obligation if the Adjoining Well continues to have
10 production in paying quantities or to produce its allowable, and the other
11 conditions making this obligation operative continue to exist. The right to make
12 compensatory payments is intended to permit Lessee to further evaluate the
13 producing Adjoining Well, and the making of such payments shall not of itself be
14 sufficient to maintain this Lease if this Lease is not otherwise being maintained;
15 however, the making of such payments shall not prejudice Lessee's right to rebut
16 any of the above enumerated presumptions.
17

18 (D) In addition to the specific offset drilling obligation above provided, if Lessee
19 knows or reasonably has access to information, by examination of geological,
20 seismic or other relevant data, that drainage of the Leased Premises is occurring,
21 Lessee agrees to protect the Leased Premises from drainage of oil, gas or other
22 liquid or gaseous minerals by a producing Adjoining Well that may be more than
23 six hundred and sixty feet (660') from the Leased Premises by whatever means
24 necessary, including the drilling of an Offset Well or obtaining the formation of
25 appropriate drilling or production units for the Adjoining Well. If Lessee is the
26 operator of or has a working interest in a producing Adjoining Well, Lessee shall
27 be obligated, within ninety (90) days from the time Lessee knows or reasonably
28 has access to information that drainage is occurring, to take such steps as
29 reasonably necessary to protect the Leased Premises. In all other cases, Lessee
30 shall not be obligated to begin such operations or take other steps until ninety (90)
31 days after receipt of written notice from Lessor.
32

33 (E) In those instances in which notice from Lessor is expressly required under this
34 Article, if due, damages shall be computed only from the date that notice is
35 received or, if Lessee commences compensatory payments, the date on which such
36 payments are discontinued. In those instances in which there is no requirement of
37 notice, if due, damages shall be computed from the time Lessee knew or
38 reasonably had access to information that drainage was occurring. The damages
39 contemplated herein shall consist of the royalty percentage of this Lease,
40 multiplied by one half of the value of the production from the draining Adjoining
41 Well, and may include lease cancellation (except as provided in Article 18(C)
42 below) for refusal by Lessee to take the steps necessary to prevent drainage.
43 Written notice from Lessor containing a demand for performance and Lessee's
44 failure to timely comply with such notice shall be necessary as a prerequisite to any
45 action for cancellation of this Lease for Lessee's nonperformance of its obligation
46 to protect the Leased Premises against drainage.
47

48 **ARTICLE 8 - LESSEE REPORTING**

49

50 (A) Lessee shall furnish Lessor, upon request, all of the following types of well and
51 survey data in Lessee's possession, or reasonably accessible to Lessee in
52 connection with this Lease including, but not limited to: (1) all wire line surveys in
53 open or cased holes including, but not limited to electrical and radioactivity logs,
54 porosity logs of all types and dip-meters, with all such logs to be provided, in
55 standard fanfold paper format at scales of 1 inch to 100 feet and 5 inches to 100

1 feet, digital image files in TIF and PDF formats, and composite digital curve data
2 in LAS (Log ASCII Standard) format or other format requested by Lessor if
3 maintained by Lessee; (2) directional surveys; (3) mud logs and core descriptions
4 of both sidewall samples and conventional cores; (4) drill stem and production test
5 data; (5) daily drilling reports (to be supplied weekly); and (6) production data,
6 current and cumulative, including oil, gas and water production, surface and
7 subsurface pressures (collectively "**Data**").

8
9 Upon request, Lessee also shall furnish Lessor with any other information and data
10 in Lessee's possession or reasonably available to Lessee in order to keep Lessor
11 fully informed of Lessee's good faith compliance with the provisions of this Lease
12 and continuing development of and operations on the Leased Premises. This
13 information together with the Data shall be referred as to the "**Records**".

14
15 Notwithstanding anything herein to the contrary, Lessee's obligation to provide
16 such information or data is limited to the format actually used by Lessee or
17 reasonably available to Lessee. Furthermore, to the extent allowed by law, Lessor
18 agrees to keep confidential any such Records not already part of the public domain.

19
20 (B) Nothing in this Article shall require Lessee to furnish or permit inspection of
21 Lessee's interpretation of the types of data referred to above, and nothing herein
22 shall be construed as requiring Lessee to secure any such data solely for the
23 purpose of this Article. Lessor's representatives shall have access, at reasonable
24 times and intervals, to examine and inspect Lessee's Records and operations being
25 conducted on the Leased Premises or lands pooled or unitized with any or all
26 portions thereof. To the extent allowed by law, Lessor shall keep confidential any
27 information (including Records) not part of the public domain.

28
29 (C) Failure of Lessee, after notice, to satisfy the requirements of this Article shall
30 subject Lessee to liquidated damages in the amount of One Hundred (\$100.00)
31 Dollars per day for each day of non-compliance, commencing on the thirty-first
32 (31st) day after receipt of notice. If Lessee satisfies such requirements within thirty
33 (30) days after its receipt of such notice, then no damages are due.

34 35 ARTICLE 9 – ROYALTY

36
37 Unless Lessor elects to take in-kind all or any part of the portion due Lessor as royalty on
38 minerals produced and saved hereunder, which option is hereby expressly reserved by
39 Lessor pursuant to La. R.S. 30:127(C), and which option is to be exercised by written
40 notice by Lessor to Lessee at any time and from time to time while this Lease is in effect
41 (either prior or subsequent to acceptance by Lessor of royalties other than in-kind), it
42 being understood that nothing contained in this Lease shall ever be interpreted as limiting
43 or waiving said option, Lessee shall pay to Lessor as royalty:

44
45 (A) _____ (____%) percent of the value, as
46 hereinafter provided, of all oil, including condensate or other liquid mineral,
47 produced (including sales, stored or traded in-kind) and saved or utilized by
48 methods considered ordinary production methods at the time of production. The
49 price of such oil sold to a Non-Affiliated Party or Affiliated Party shall not be less
50 than the "Fair Market Price". Fair Market Price is considered the average sales
51 price for oil of like grade and quality in the field in which the lease is situated. If
52 the Lessee is the sole producer within the field, Fair Market Price shall be deemed
53 the average sales price of oil of like grade and quality for the three nearest
54 surrounding fields. Consideration may be given to one or more of the following
55 when determining the Fair Market Price: NYMEX, NYMEX + roll, any of the

1 major oil market centers (for example, St. James, Cushing, Empire or Argus) or
2 any amalgamation of field posted price, plus Platt's P+, plus any market
3 adjustments (including for kind and quality). If at a future date, an industry
4 recognized and accepted index changes to something other than those listed above,
5 the new standard may be considered and/or utilized. If Lessee enters into a
6 prudently negotiated, arm's length oil sales contract, which at the time of
7 execution, provides for a price equal to or in excess of the Fair Market Price as
8 described above, the price payable under the terms of the contract at the time such
9 oil is run shall be the value of such oil, even though the appropriate average
10 changes during the life of the contract.

11
12 Lessee shall not make any deduction whatsoever for the cost of any operation,
13 process, facility or other item considered to be a production function or facility at
14 the time such oil is run. Without limiting the foregoing sentence and without
15 regard to classification as production costs or otherwise, the following costs shall
16 not be deducted from the value of production: (1) costs incurred for gathering,
17 moving or transporting production within the field boundaries; (2) costs incurred
18 for handling, treating, separating, fractionating or in any way processing
19 production to make it marketable by methods considered ordinary at the time such
20 oil is run; (3) the cost of storage on the Lease or in the field; (4) marketing fees,
21 any other miscellaneous fee, or unspecified discounts and/or subtractions from the
22 base price incurred during or related to the sale of oil by Lessee, an Affiliated Party
23 or a Non-Affiliated Party; and (5) line loss. The performance of any producing
24 function or any function mentioned within clauses (2) and (3) above at a
25 commingled facility in or outside the field in which this Lease is situated shall not
26 make the cost of any such function deductible.

27
28 If Lessee delivers oil at a point outside the field in which this Lease is situated by
29 means of facilities belonging to a Non-Affiliated Party, Lessee may deduct from
30 the value of such oil a reasonable sum not in excess of actual costs, as evidenced
31 by invoices from the transporter(s) or other documentation Lessor deems
32 appropriate, for the transportation from the field boundary to the point of delivery.
33 If such transportation is by means of facilities owned by an Affiliated Party, Lessee
34 may deduct the lesser of the actual cost of such transportation, or the fair market
35 value of the services performed. If actual cost is greater than fair market value, the
36 fair market value shall determine the amount subject to deduction. However, if the
37 facilities used are regulated as a common carrier by a state or federal regulatory
38 agency, the authorized tariff chargeable and paid by Lessee for the services
39 rendered shall be deemed the fair market value of such services. If such
40 transportation is by means of facilities owned by Lessee, Lessee may deduct from
41 the value of production a reasonable sum for such services computed as follows:
42 the amount deductible shall include only (1) the direct cost of operations and
43 maintenance, including costs of labor, direct supervision, fuel, supplies, ordinary
44 repairs and ad valorem taxes; and (2) depreciation of the facility computed over the
45 estimated life of the field or the reserves. Transportation or location differential, as
46 a component of a contract between seller and buyer, is subject to the same terms
47 and restrictions, listed here-in.

48
49 If Lessee receives any compensation for any function or process for which Lessee
50 is responsible to Lessor without right to deduct costs including, but not limited to
51 (1) handling, gathering or transporting such oil, or (2) treating or processing such
52 oil by ordinary methods to make it marketable, the amount of such compensation
53 shall be added to the value of such oil when computing royalties. If Lessee is
54 deducting costs for any functions for which it also is receiving compensation,
55 deductions may be made for costs only to the extent they are in excess of any such

1 compensation.

2
3 (B) _____ (____%) percent of the
4 value, as hereinafter provided, of all gas, including casinghead gas, produced
5 (including sales, vented, flared, flash, stored, interlease sales and utilized gas), sold
6 and stored, saved or utilized by methods considered as ordinary production
7 methods at the time of production. The price of such gas sold to a Non-Affiliated
8 Party or Affiliated Party and the price of gas vented, flared, or utilized (including
9 gas used in lift operations) by Lessee in the field shall not be less than the Fair
10 Market Price. Fair Market Price shall be the average price paid for gas of like kind
11 and quality from the field produced. If the Lessee is the sole producer within the
12 field, Fair Market Price shall be deemed the average sales price paid for gas of like
13 kind and quality for the three nearest surrounding fields. Consideration may be
14 given to one or more of the following when determining the Fair Market Price: a
15 pipeline index in the field or adjacent to the field; Bloomberg Liquefied Petroleum
16 Gas Prices, Platt's LP Gas Wire;, a NYMEX closing price; and/or a Henry Hub
17 price(or other comparable Hub price), plus/minus premium; and/or transportation
18 outside the field. If at a future date an industry recognized and accepted index
19 changes to something other than those listed above, the new standard may be
20 considered and/or utilized. If Lessee enters into a prudently negotiated, arm's
21 length gas sales contract, which at the time of execution provides for a price equal
22 to or in excess of the Fair Market Price as described above, the price payable under
23 the terms of the contract at the time such gas is produced shall be the value of such
24 gas, even though the appropriate average changes during the life of the contract.
25

26 Except as expressly authorized hereby, Lessee shall not make any deduction
27 whatsoever for the cost of any operation, process, facility or other item considered
28 to be a producing function at the time such gas is produced. Without limiting the
29 foregoing sentence and without regard to classification as production costs or
30 otherwise, the following costs are not to be deducted from the value of production:
31 (1) costs incurred for gathering, moving or transporting production within the field
32 boundaries; (2) costs incurred for dehydrating, decontaminating (as with an amine
33 plant inside the field), fractionating or in any way processing production to make it
34 marketable by methods considered ordinary at the time such gas is produced; (3)
35 marketing fees, any other miscellaneous fee, or unspecified discounts and/or
36 subtractions from the base price incurred during or related to the sale of gas by
37 Lessee, an Affiliated Party or Non-Affiliated Party; and (4) line loss. The
38 performance of any producing function or any function mentioned in (2) above at a
39 commingled facility inside or outside the field in which this Lease is situated shall
40 not make the cost of any such function deductible. Without regard to classification
41 as production costs or otherwise, Lessee may deduct costs incurred for
42 compression of gas at a point in or adjacent to the field for insertion into a
43 purchaser's line or into a line owned by Lessee or a carrier for transportation to a
44 point of delivery outside the field.
45

46 If Lessee delivers gas at a point outside the field in which this Lease is situated by
47 means of facilities belonging to a Non-Affiliated Party, Lessee may deduct from
48 the value of such gas a reasonable sum not in excess of actual costs, as evidenced
49 by invoices from the transporter(s) or other documentation Lessor deems
50 appropriate, for transportation from the field boundary to the point of delivery. If
51 such transportation is by means of facilities owned by an Affiliated Party, Lessee
52 may deduct the lesser of the actual cost of such transportation or the fair market
53 value of the services performed. If actual cost is greater than fair market value, the
54 fair market value shall determine the amount subject to deduction. If such
55 transportation is by means of facilities owned by Lessee, Lessee may deduct from

1 the value of production a reasonable sum for such services computed as follows:
2 the amount deductible shall include only (1) the direct cost of operations and
3 maintenance, including costs of labor, direct supervision, fuel, supplies, ordinary
4 repairs and ad valorem taxes, and (2) depreciation of the facility calculated over the
5 estimated life of the field or the reserves.

6
7 If Lessee receives any compensation for any function or process for which Lessee
8 is responsible to Lessor without right to deduct costs including, but not limited to
9 handling, gathering or transporting such gas, or dehydrating, decontaminating or in
10 any way processing production to make it marketable, the amount of such
11 compensation shall be added to the value of such gas when computing royalties. If
12 Lessee is deducting costs for any functions for which it also is receiving
13 compensation, deductions may be made for costs only to the extent they are in
14 excess of any such compensation.

15
16 (C) In addition to the separation of condensate or other liquid mineral from gas by
17 ordinary production methods (as to which Lessor shall receive royalties as
18 provided in Article 9(B) above and for which separation, no charge may be made
19 by Lessee), gas produced hereunder, including casinghead gas, may be processed
20 in a gasoline or other extraction or processing plant in or serving the field, and
21 products may be recovered therefrom either directly by Lessee or under prudently
22 negotiated arm's length contracts executed by Lessee. If Lessee enters into a
23 prudently negotiated arm's length contract for the processing of gas with a Non-
24 Affiliated Party or parties under which such party or parties retain in-kind a portion
25 of the products recovered from or attributed to such gas, in lieu of processing fees,
26 the in-kind portion of the products kept as the processing fee must be reasonable
27 and prudently negotiated. Lessee may deduct from the value of liquids, the value
28 of the retained in-kind portion or costs specifically identified as processing fees,
29 but not both. Lessee shall be held accountable for royalty due on excessive in-kind
30 retention. Lessee shall pay royalty on residue gas sold, as detailed for gas sold in
31 Article 9(B) above, based on the value, as hereinafter determined, of Lessee's
32 share of such products under such negotiated contract. Residue gas is defined as:
33 all plant source gas delivered by a producer for processing, less shrinkage due to
34 liquid extraction; fuel required for plant equipment necessary for liquid extraction;
35 flare gas; and unavoidable losses within the plant. In all other cases, Lessee shall
36 pay the royalty provided for gas in Article 9(B) above based on the value, as
37 hereinafter determined, of the total products recovered, after deducting therefrom
38 the costs of processing as specified below.

39
40 Sales of products to a Non-Affiliated Party are subject to audit utilizing the criteria
41 in the following paragraphs, and subject to the right of Lessor to verify sales and
42 subsequent royalty payment based upon Fair Market Price.

43
44 If the products are sold by Lessee to an Affiliated Party under a prudently
45 negotiated arm's length contract or under a contract that would not have been
46 considered prudently negotiated arm's length if executed by a Non-Affiliated
47 Party, the value of the products shall be the fair market value as detailed above.
48 The value of such products (or Lessee's share thereof) sold in the absence of a
49 prudently negotiated arm's length contract shall be determined as follows: (1) the
50 fair market value for products sold at the plant; (2) if no products are being sold at
51 said plant, the average of market values for like products of the same grade and
52 quality at the three nearest plants where such products are sold. In no event shall
53 products be valued at an amount less than "fair market value" as detailed above.

1 When the cost of processing is not met by retention by the processor of a share of
2 the products or in any other case in which Lessee may deduct from the value of
3 such products the reasonable and prudent costs of processing, the charges shall be
4 determined as follows: (1) if the gas is processed by a Non-Affiliated Party under a
5 prudently negotiated arm's length contract, the reasonable costs that may be
6 deducted shall be those provided in such contract; or (2) if the gas is processed by
7 an Affiliated Party, or is processed at a plant in which Lessee has an ownership
8 interest, the combined value of the residue gas as set forth herein and the liquid or
9 gaseous products resulting from such processing used to determine royalty shall
10 not be less than as though royalty were calculated on the value (as determined
11 under the provisions of (B) above of volume on said gas before processed,
12 produced, saved and utilized from the Leased Premises).

13
14 The following costs are never to be deducted: (1) any and all marketing fees
15 incurred for the sale of the plant products; and (2) any and all costs for which
16 Lessee is reimbursed by another party.

17
18 When processing involves an Affiliated Party or parties, or Lessee has an
19 ownership interest in the plant, charges are determined by the contract between
20 Lessee as producer and processor. In the absence of such a contract, deductible
21 charges are limited to the proportionate part of (1) the annual direct costs of
22 operating and maintaining the plant, including costs of labor and on-site
23 supervision, shrinkage, materials, supplies and ordinary repairs, (2) plant
24 depreciation, less salvage value, computed over the life of the field(s) served by the
25 plant, or other such method as agreed upon by Lessor and Lessee, and (3) ad
26 valorem taxes.

27
28 In accordance with the provisions of (C) above, Lessor shall be entitled to the
29 royalty for gas provided in (B) above based on the value of Lessee's share of the
30 residue gas sold or otherwise disposed of after extraction of natural gas liquids.

31
32 Royalty on residue gas and liquids, in aggregate, shall not be less than royalty
33 calculated using unprocessed gas volume (keep whole) available for sale at the
34 wellhead. Consideration will be given for circumstances in which Lessee is
35 compelled to process either by a Non-Affiliated Party or contractual obligation.

36
37 (D) _____ (____%) percent of
38 any and all other liquid or gaseous hydrocarbon minerals in solution produced with
39 oil or gas and saved or utilized that are not specifically mentioned herein, said
40 royalties to be delivered or paid when marketed or utilized in accordance with the
41 accepted practice in such matters.

42
43 Lessor's royalty shall be calculated and paid after deduction of all severance taxes.

44
45 The first payment of royalty shall be made within one hundred twenty (120) days
46 following commencement of production from or allocation of production to the Leased
47 Premises, except that in the case of any production from or allocable to the Leased
48 Premises that has occurred prior to the Effective Date, but which is deemed to be covered
49 by this Lease, Lessee hereby agrees to pay royalty on all such prior production within one
50 hundred twenty (120) days from the Effective Date. Thereafter, royalty on oil, including
51 condensate or other liquid mineral, produced and saved at the well by ordinary production
52 methods shall be paid by the 25th day of each month on production from the previous
53 month. Thereafter, royalty on gas, including liquids or other products extracted or
54 processed from gas other than by ordinary production methods, or other liquid or gaseous
55 mineral not specifically mentioned, shall be paid on or before the 25th day of the second

1 month following that in which such product was produced or extracted or processed. In
2 the event any royalty payment is not correctly or timely made, the remedies provided by
3 La. R.S. 30:136 and 31:137-142 relative to penalties, notice, damages, interest, attorney
4 fees and dissolution shall be applicable, except that interest shall be payable thereon until
5 paid without any requirement for prior written notice by Lessor to Lessee.

6
7 Unless otherwise authorized by Lessor, Lessee shall be responsible for designating one
8 payor of all royalties due under this Lease per LeaseUnitWell (“LUW”) Code.
9 Designation of a payor for each LUW Code shall be made to the Property Section of the
10 Mineral Income Division of the Office of Mineral Resources. If reporting and payments
11 are not received timely and properly, such Lessee shall be subject to penalties, after
12 notice, in accordance with La. R.S. 30:136(B).

13
14 Lessee shall report all production of hydrocarbons and associated liquid or gaseous
15 minerals from or attributable to this Lease to the Production Audit Division of the Office
16 of Conservation and to the Mineral Income Division of the Office of Mineral Resources
17 by appropriate SR forms containing both the LUW Code and the Well Serial Number.
18 Failure to report production as herein specified shall be deemed improper reporting,
19 which shall subject Lessee to the penalty specified therefor.

20 21 **ARTICLE 10 - AUDIT RIGHTS**

22
23 (A) Lessee shall keep a complete and accurate account of all its books and records
24 pertaining to its calculation of royalty utilizing accounting systems and methods in
25 compliance with Generally Accepted Accounting Principles consistently applied to
26 ensure the most accurate figures reasonably available. Lessee shall retain in its
27 possession detailed papers, books, records, accounts and other documents relative
28 to its calculation and payment of royalties and other sums due by Lessee hereunder
29 for examination by OMR personnel at all reasonable times. Such documentation
30 shall be maintained in an organized manner and otherwise in the manner that such
31 documentation is regularly maintained by Lessee in the ordinary course of its
32 business. Upon reasonable notice, Lessor, through OMR, shall have the right to
33 review and audit such documents and systems for purposes of verifying their
34 accuracy and reporting requirements. To the extent allowed by law, all documents,
35 working papers and information provided for review, audit and/or access shall be
36 maintained by OMR personnel in strict confidence.

37
38 (B) In addition to all other audit rights set forth in this Lease or required by law, OMR
39 personnel shall have access to all books, records, papers, reports, accounts and
40 documents of Lessee to facilitate any such examination or investigation. If records
41 are maintained in machine-sensible and hard copy formats, Lessee shall make such
42 records available to OMR in said format.

43 44 **ARTICLE 11 - LEASE ACCESS**

45
46 (A) This Lease is subject to the requirements of La. R.S. 30:127(G) such that the
47 public’s access to public waterways throughout the State lands covered by this
48 Lease shall be maintained and preserved for the public by Lessee.

49
50 (B) Lessor retains the right, throughout the life of this Lease, to use all existing roads
51 and waterways and those constructed or reconstructed by Lessee for any and all
52 purposes deemed necessary or desirable in connection with the control,
53 management, administration and harvest of Lessor-owned land or resources
54 thereof, including timber management.

- 1 (C) Lessor retains the right, throughout the life of this Lease, to use any and all
2 portions of the Leased Premises for any and all purposes so long as doing so does
3 not unreasonably interfere with the rights and performance of Lessee under this
4 Lease.
5
- 6 (D) Lessor shall have the right to sell, exchange, transfer or otherwise dispose of all or
7 any portion of the Leased Premises. Further, Lessor shall have the right to issue
8 rights-of-way and easements upon the Leased Premises so long as such rights-of-
9 way or easements do not unreasonably interfere with Lessee's operations
10 conducted pursuant to the rights granted by this Lease.
11
- 12 (E) Lessor reserves the right to access the Leased Premises at all reasonable times in
13 order to inspect the Leased Premises and to investigate and secure compliance by
14 Lessee with all Lease requirements.
15
- 16 (F) The rights reserved hereunder may be exercised by Lessor or any other person or
17 entity acting under the authority of Lessor in any manner that does not
18 unreasonably interfere with or endanger Lessee's operations under this Lease.
19
- 20 (G) All rights pertaining to the Leased Premises not expressly granted to Lessee by this
21 Lease, or necessarily implied herein, are hereby reserved to Lessor.
22

23 **ARTICLE 12 - LESSOR'S RIGHTS**

24
25 Lessee agrees that any failure by Lessor to enforce any provision, obligation, condition,
26 right or privilege of this Lease shall not constitute a waiver or relinquishment by Lessor
27 of its rights, privileges and/or remedies afforded herein or by law. Furthermore, Lessee
28 agrees that it shall not hold or use Lessor's failure to enforce any provision, obligation,
29 condition, right or privilege as a defense in any future dispute or litigation. As such, all
30 provisions, obligations, conditions, rights and privileges granted hereby or by operation
31 of law shall remain valid, in force and enforceable despite Lessor's failure to previously
32 enforce them.
33

34 **ARTICLE 13 - ENVIRONMENTAL LAWS AND REGULATIONS**

- 35
36 (A) Lessee hereby agrees that in exercising the rights granted hereunder, it will comply
37 with and be subject to all applicable state and federal environmental laws and
38 regulations. Lessee also agrees that it will comply with all minimum water quality
39 standards adopted by any governmental authority with respect to pollution, noxious
40 chemicals and waste being introduced into affected water areas. Further, in
41 conducting operations under this Lease requiring dredging, filling or navigation in
42 order to conduct oil and gas exploration and production operations, Lessee shall
43 comply with all applicable state and federal requirements for the permitting of such
44 activities in the operational area.
45
- 46 (B) For purposes of this Lease, any material now or hereinafter designated as or
47 containing components now or hereinafter designated as hazardous, toxic,
48 dangerous or harmful, and/or that are subject to regulation as hazardous, toxic,
49 dangerous or harmful material by any federal or state law, regulation, statute or
50 ordinance, shall be transported, stored and handled in accordance and in
51 compliance with the provisions of such laws including, but not limited to 42
52 U.S.C. 6901 *et seq.* (RCRA) and 42 U.S.C. 9601 *et seq.* (CERCLA), as presently
53 existing or as subsequently enacted or amended.
54

1 **ARTICLE 14 - RESPONSIBILITY FOR ENVIRONMENTAL DAMAGE**

2
3 (A) Lessee shall be responsible for environmental damage as defined in La. R.S. 30:29
4 that occurs as a result or consequence of Lessee’s occupation, oil and gas
5 exploration, production operations and/or use of the Leased Premises, irrespective
6 of whether such damage is due to negligence, the inherent nature of Lessee's
7 activities or operations or other reason(s). Lessee must conduct operations as a
8 reasonably prudent operator using standard industry practices and procedures and
9 proper safeguards to prevent environmental damage. Lessee shall be responsible
10 for all environmental damage to aquatic or marine life, wildlife, birds and any
11 public property that may result from Lessee's operations hereunder. Lessee shall
12 report all unpermitted and reportable discharges as required by applicable state and
13 federal environmental and conservation statutes and regulations (“Environmental
14 and Conservation Laws and Regulations”) to the Louisiana Department of
15 Environmental Quality, the Louisiana Office of Conservation and any other
16 appropriate entity.

17
18 All reasonably necessary preparations and precautions shall be taken by Lessee to
19 prevent fire and explosion and, subject to Environmental and Conservation Laws
20 and Regulations, to prevent contamination of any portion of the total environment
21 of the Leased Premises, provided that nothing herein shall be construed as
22 lessening or reducing Lessee's obligations under all Environmental and
23 Conservation Laws and Regulations.

24
25 (B) Lessee shall indemnify, defend and hold harmless Lessor, its officers, employees,
26 agents and representatives, with respect to any and all damages, costs, liability,
27 fees, attorney fees, penalties (civil or criminal), fines (civil or criminal) and
28 cleanup costs arising out of or in any way related to the use, disposal,
29 transportation, generation, sale and location upon or affecting the Leased Premises
30 of hazardous substances as defined in Article 13 above by Lessee or any of
31 Lessee’s officers, employees, agents, representatives, contractors, subcontractors,
32 licensees and invitees (or by any assigns or sublessees of Lessee whose
33 Assignment is not approved by Lessor in accordance with Article 4 above). Lessee
34 shall further indemnify, defend and hold Lessor harmless from any and all damage,
35 cost, liability, fees, attorney fees, penalties (civil or criminal), fines (civil or
36 criminal) and cleanup costs arising out of or related to any breach by Lessee of the
37 provisions of this Lease concerning hazardous substances and/or negligent
38 operations. This indemnity is in addition to and in no way limits the general
39 indemnity contained under Article 21 below.

40
41 (C) In conducting any activity under this Lease that requires dredging, filling or
42 navigating in order to conduct oil and gas exploration and production operations,
43 Lessee shall comply with all applicable state and federal requirements for the
44 permitting of such activities in the operational area.

45
46 (D) Lessee shall, at its sole cost and expense, keep and maintain the Leased Premises,
47 all improvements thereon owned, placed and/or caused to be placed by Lessee and
48 all facilities appurtenant to such improvements in good order and repair and in the
49 appropriate condition for the safe conduct of any activities or enterprises conducted
50 on the Leased Premises pursuant to the rights granted hereunder, and any
51 applicable state or federal laws.

1 **ARTICLE 15 - FINANCIAL SECURITY**

- 2
- 3 (A) In accepting this Lease and its terms, Lessee agrees that Lessee or an operator
4 drilling on the Leased Premises shall provide financial security for the plugging
5 and abandoning, and associated site restoration of each well drilled. Lessee’s
6 obligation to provide financial security also is required upon a change of
7 operatorship of a well on the Leased Premises.
8
- 9 (B) The nature and extent of the financial security required hereby shall be as set forth
10 in LAC 43:XIX §104. In no event, however, shall the financial security
11 requirements of this Lease be less than those set forth in said regulation as such
12 was in effect on September 1, 2015.
13
- 14 (C) Lessee’s obligation under this Lease to provide financial security for the plugging
15 and abandoning, and associated site restoration, of each well, drilled shall be
16 satisfied by fully and continually complying with the applicable statutes, rules and
17 regulations of the Office of Conservation as set forth in (B) above.
18
- 19 (D) Lessee shall furnish to Lessor, upon request, evidence of the financial security so
20 provided to the Commissioner of Conservation.
21

22 **ARTICLE 16 - GENERAL LIABILITY INSURANCE**

- 23
- 24 (A) Lessee, at its sole expense, shall purchase and maintain in full force and effect,
25 throughout the Operational Term (as defined below) and continuing until all Lease
26 obligations are fulfilled, a policy(s) of commercial general liability insurance
27 having a minimum limit per occurrence of One Million (\$1,000,000.00) Dollars
28 and excess liability insurance having a minimum limit per occurrence of Two
29 Million (\$2,000,000.00) Dollars (or other such limits as deemed reasonably
30 appropriate and necessary by Lessor after notice and Board review). This policy
31 shall identify Lessor as an additional insured, be applicable to the Leased Premises
32 and provide coverage, except as may be limited by law, to Lessor and Lessee
33 against claims for bodily injury, death and property damage, and for pollution
34 incidents of a sudden and accidental nature causing such harm that may arise from
35 or in connection with the development and production activities and operations
36 conducted pursuant to this Lease by Lessee, its operators, contractors, employees,
37 agents, representatives and their successors and assigns.
38

39 For purposes of this Article, the **“Operational Term”** shall commence thirty (30)
40 days prior to any surface activity on the Leased Premises in furtherance of the
41 development and production of oil and gas including, but not limited to surveying,
42 mobilization, location preparation and other such activities preliminary to
43 development of this Lease.
44

- 45 (B) The insurance coverage required hereby shall be provided at Lessee’s sole expense
46 and the insurer shall have no recourse against Lessor for payment of premiums or
47 any assessments required by the policy(s). Deductibles and/or self-insured
48 retentions must be reasonable, within industry standards and, upon request,
49 disclosed by Lessee to Lessor, with Lessee solely responsible for paying all such
50 deductibles and/or self-insured retentions.
51
- 52 (C) The insurance coverage required hereby of Lessee shall be provided by a company
53 authorized to do business in the State of Louisiana having an A.M. Best’s rating of
54 A-:VI or higher. At any time, if an insurer issuing such policy(s) does not meet the
55 minimum A.M. Best rating, Lessee shall obtain a substitute policy(s) with an

1 insurer possessing such rating and submit a substitute Certificate of Insurance in
2 compliance herewith.

- 3
4 (D) Lessee shall furnish to Lessor, initially as required by (A) above, and on an annual
5 basis thereafter within thirty (30) days of the policy's annual renewal date, a
6 Certificate(s) of Insurance fully completed and signed by the insurer's authorized
7 representative evidencing satisfaction of the insurance coverage requirements of
8 this Article. Additionally, upon request, Lessee shall provide to Lessor the
9 Declaration Page and the Cancellation Endorsement for the policy(s), along with
10 any additional endorsements that may be requested by Lessor. These documents
11 shall be provided to Lessor prior to commencement of the Operational Term, with
12 the Certificate Holder listed as:

13
14 State of Louisiana
15 Office of Mineral Resources
16 LaSalle Building – 8th Floor
17 617 North Third Street
18 Baton Rouge, Louisiana 70802
19 Ref: State Lease No. _____

20
21 If Lessee's obligation to maintain insurance coverage is provisionally suspended in
22 accordance with (H) below, Lessee still must furnish proof or cause its operator to
23 furnish proof to Lessor of such coverage as required hereby.

- 24
25 (E) As soon as practicable, but in no event later than fifteen (15) days prior to
26 occurrence, Lessee shall advise Lessor of the suspension or cancellation of any
27 policy of insurance. In such event, Lessee shall secure replacement insurance in
28 compliance with the requirements herein to ensure that continuous coverage is
29 maintained on the Leased Premises.

- 30
31 (F) Failure of Lessee to maintain and furnish proof of insurance as required hereby
32 may, at the sole option of Lessor, after notice, reasonable opportunity to cure and
33 opportunity to be heard, cause this Lease to be terminated. Additionally, Lessee's
34 failure, after notice, to obtain insurance or provide proof of insurance within thirty
35 (30) days of receipt of such notice shall subject Lessee to liquidated damages in the
36 amount of One Hundred (\$100.00) Dollars per day until the earlier of when proof
37 of such insurance is provided to OMR or the termination or surrender of this
38 Lease. The liquidated damage assessment may be waived, in whole or in part, for
39 cause by Lessor. Such failure, however, shall not relieve Lessee of liability nor its
40 duty to perform the obligations required by this Lease.

- 41
42 (G) In the event of:

43
44 (1) An Assignment or other transfer of the entirety of Lessee's interest in this
45 Lease, upon producing acceptable proof that Lessee's
46 assignee(s)/transferee(s) has secured insurance coverage as required hereby,
47 Lessee shall be relieved of its obligation to maintain such coverage.

48
49 (2) An Assignment or other transfer causing this Lease to be held in indivision,
50 Lessee and/or its assignee(s)/transferee(s) shall maintain or cause to be
51 maintained such insurance.

52
53 (3) An Assignment or other transfer causing this Lease to be held in divisible
54 portions, Lessee and its assignee(s)/transferee(s) shall maintain such
55 coverage on their respective portions.

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Nothing herein shall require a duplication of coverage, with Lessee and/or its assignee(s)/transferee(s) responsible for ensuring that such coverage is provided.

(H) Lessee and/or its assignee(s)/transferee(s) may request Lessor's authority to provisionally suspend its obligation to maintain insurance by demonstrating to the satisfaction of Lessor that an operator(s), actively engaged in development and production activities and operations on the Leased Premises on behalf of Lessee, has obtained and will continually maintain insurance coverage compliant with the requirements set forth herein. In the event coverage by the operator(s) lapses or terminates for any reason, such suspension shall automatically terminate and Lessee shall again obtain and maintain insurance coverage as required hereby.

(I) At the discretion of Lessor, Lessee may be authorized to satisfy the requirements of this Article by means of self-insurance. Such authorization will not be unreasonably withheld if Lessee is able to demonstrate sustained financial stability and satisfy all other requirements of Lessor.

ARTICLE 17 - TITLE DISPUTES

(A) In the event of a *bona fide* dispute or litigation involving Lessor's ownership or title to any portion of the Leased Premises, Lessee agrees to promptly notify Lessor, in writing, and upon Lessor's request provide any information and/or documentation in Lessee's possession or to which Lessee has access regarding such dispute, including the identity of the adverse claimant(s) and the nature of the dispute. Nothing herein shall be construed as requiring Lessee to secure any such data solely for the purpose of this Article.

(B) During the pendency of and through resolution of the dispute or litigation, Lessee shall comply with all terms, provisions and requirements of this Lease, including the payment of royalty, and shall be deemed in default of payment of royalty if Lessee suspends or stops making royalty payments in compliance with this Lease. However, in lieu of making said payments directly to Lessor, pending settlement or final and definitive adjudication of the title dispute or litigation, Lessee may:

(1) Request and obtain authorization from Lessor to suspend the direct payment of royalty due on the production attributable to the disputed acreage, deposit the royalty payments into an interest bearing escrow account at a FDIC insured financial institution having a presence within the State and otherwise fully comply with the title dispute protocol approved by Lessor; or

(2) Initiate a concursus proceeding and deposit the royalty payments attributable to the disputed acreage into the court registry; or

(3) Take other action as authorized by Lessor.

(C) Lessor shall accept the funds so deposited as royalty payments attributable to the disputed acreage such that Lessee shall not be held in default in payment of royalty if properly computed and timely made in accordance with the terms and provisions of this Lease, pursuant to an order of the court or in accordance with Lessor's authorization.

(D) Nothing herein is intended to waive, release, relinquish or in any way diminish any rights Lessor may have to review, examine, audit, dispute, challenge or contest any

1 payments made or not made by or on behalf of Lessee on the production
2 attributable to the disputed acreage. In the event an audit or other examination
3 should reveal that the sums deposited into an escrow account or into the registry of
4 the court are incorrect, Lessee shall remain fully responsible for all royalty
5 amounts determined to be due and owing, and may be subject to payment of
6 interest and penalties as required by law or the terms of this Lease.
7

- 8 (E) Upon termination of any escrow authority, concursus proceeding or other action
9 authorized by Lessor, royalty payments due on the production attributable to the
10 disputed acreage shall be made in accordance with the terms of any settlement,
11 compromise or final, definitive adjudication and pursuant to the terms and
12 provisions of this Lease.
13

14 **ARTICLE 18 - TERMINATION AND RELEASE**

- 15
16 (A) Lessee may surrender all or any portion(s) of the Leased Premises at any time this
17 Lease is in effect and thereby be relieved of lease development and maintenance
18 obligations thereafter accruing as to the acreage surrendered, except that no partial
19 surrender shall reduce or otherwise affect the amount of rental to be paid to
20 maintain this Lease during the Primary Term, nor shall any surrender of this Lease,
21 in whole or in part, relieve Lessee, its successors, transferees or assigns, of its duty
22 to satisfy unfulfilled lease obligations including, but not limited to plugging and
23 abandoning wells acquired or drilled by Lessee, Restoring well/production sites, or
24 complying with Office of Conservation regulations or Commissioner of
25 Conservation orders pertaining to the status of the well sites/facilities acquired or
26 installed by such Lessee.
27

- 28 (B) Within ninety (90) days of any such surrender or upon expiration or termination of
29 this Lease or any portion thereof, either voluntarily or by its own terms, whether
30 during or after the Primary Term, Lessee shall execute and record a formal release
31 evidencing such surrender, expiration or termination with the Clerk of Court of the
32 parish(es) wherein the Leased Premises is located. Within this same period, Lessee
33 shall provide a certified copy of this release to Lessor.
34

- 35 (C) In the event this Lease is otherwise determined to be null *ab initio* or is cancelled
36 under Article 7(E) above, Lessee may nonetheless retain (and this Lease shall
37 remain in effect as a single lease as to) forty (40) acres around each well capable of
38 oil Production in Paying Quantities, and one hundred sixty (160) acres around each
39 well capable of gas Production in Paying Quantities (including wells drilled under
40 this Lease by directional drilling). If any well is then being drilled or worked on,
41 Lessee shall have the right to complete such operations and, in the event such
42 activity results in completion of a well capable of oil or gas Production in Paying
43 Quantities, Lessee may also retain (and this Lease shall also remain in effect as a
44 single lease as to) acreage around each such well as above provided.
45

46 Retained acreage around any well shall form as near a square tract as is practical. If
47 any acreage covered by this Lease shall have been included in a Unit, whether
48 established by order of the Commissioner of Conservation or by conventional
49 agreement, or if any such acreage shall have been assigned to a producing or shut-
50 in well under statewide allowable orders of the Commissioner of Conservation and
51 such acreage is actually being drained by the well or would be drained by it if the
52 well were produced, Lessee may retain all of the acreage included in such Unit(s)
53 or so assigned for allowable purposes. Thereafter, each area so retained by Lessee
54 shall be subject to the terms of this Lease and shall not create or constitute a
55 separate lease.

1
2 Notwithstanding the foregoing, under no circumstance may Lessee retain acreage
3 within the Leased Premises if Lessor has obtained a final, non-appealable
4 judgment terminating this Lease for reasons other than non-development.
5

6 (D) In complying with the requirements of this Article, Lessee additionally shall
7 compile a listing of all unplugged wells and facilities owned, or placed and/or
8 caused to be placed by Lessee on the acreage released and no longer in use that
9 require abandonment. This list shall be submitted to OMR along with a copy of
10 the recorded release required hereby. With these documents, in furtherance of
11 Lessee's obligation to Restore the Leased Premises as herein contemplated, Lessee
12 also shall provide to Lessor a proposal, in writing, clearly setting forth Lessee's
13 preliminary plan for plugging and abandoning all such wells and removing all such
14 facilities in accordance with Article 19 below.
15

16 (E) In the event, after notice and a reasonable opportunity to cure, Lessee fails to
17 timely and/or fully comply with the requirements set forth in this Article, Lessee
18 shall be liable for the reasonable attorney fees and costs incurred by Lessor in
19 obtaining such release, and for liquidated damages in the amount of One Hundred
20 (\$100.00) Dollars per day for each day of non-compliance after expiration of said
21 ninety (90) day period.
22

23 **ARTICLE 19 - ABANDONMENT AND RESTORATION**

24

25 (A) Lessee, no later than the applicable Restoration Period (as defined in Article 19(F)
26 below) for the Leased Premises (or portion thereof) as to which this Lease has
27 expired, terminated or been surrendered ("***Expired Leased Premises***"), regardless
28 of whether a formal release has been duly recorded as required by Article 18
29 above, shall be obligated to (1) plug and abandon all wells Lessee drilled or
30 acquired on the Expired Leased Premises that are no longer producing or utilized
31 for operations, (2) remove from the Expired Leased Premises all structures and
32 facilities owned, placed or caused to be placed by Lessee no longer utilized for
33 operations or production (it being understood that Lessee may continue to use, as
34 long as it is being utilized for operations or production under this Lease or is
35 authorized under a separate agreement, permit or other legal right, any structure or
36 facility owned, placed or caused to be placed by Lessee on the Expired Leased
37 Premises before such expiration, termination or surrender), and (3) Restore the
38 Expired Leased Premises at Lessee's sole risk, cost and expense, and subject to
39 compliance with all applicable laws, rules and regulations.
40

41 Lessor recognizes Lessee's right and obligation to draw and remove casing from
42 wells and further, to remove any structures and facilities no longer utilized in
43 operations or production on the Expired Leased Premises during the Restoration
44 Period. However, unless otherwise approved by Lessor, Lessee or its agent shall
45 not be permitted to salvage and/or remove from the Expired Leased Premises
46 equipment, machinery, structures or facilities no longer utilized by any wells until
47 the said wells on the Expired Leased Premises are first plugged and abandoned in
48 accordance with all applicable laws, rules and regulations.
49

50 (B) Failure of Lessee to satisfy the duties, responsibilities and obligations set forth in
51 Article 19(A) above during the Restoration Period shall render Lessee liable for
52 any and all costs and expenses incurred by Lessor for plugging and abandoning
53 such wells, removing and disposing of said casing, structures and facilities and
54 Restoration of the Expired Leased Premises. However, under no circumstance
55 shall title to or ownership of said casing, structures or facilities be forfeited to, vest

1 in or transfer to Lessor, nor shall said casing, structures or facilities be deemed
2 "improvements" to the Expired Leased Premises for ownership purposes.
3

4 (C) Lessee agrees that upon completion of oil and gas exploration and production
5 activities under this Lease, Lessee shall remove all associated facilities, materials
6 and equipment (including without limitation all submerged materials, equipment or
7 debris) that were placed on the Expired Leased Premises by or for the account of
8 Lessee and may impede commercial fishing and trawling. Additionally, Lessee
9 shall Restore all affected water bottoms under the Expired Leased Premises.
10

11 (D) In addition to Restoration of the Leased Premises as contemplated and required by
12 this Lease, Lessee shall be responsible, without limitation, for all damage to the
13 Leased Premises caused by its operations including, but not limited to loss or
14 damage to timber, crops, roads, buildings, fences, bridges, soil, surface and
15 subsurface water, aquifers and vegetation, and also all environmental damage as
16 that term is defined in La. R.S. 30:29.
17

18 (E) After the Restoration Period, Lessee may not trespass upon the released portion of
19 the Expired Leased Premises to remove any machinery, equipment, structures or
20 facilities, draw casing from any well or initiate plugging and abandonment or
21 cleanup obligations without the express approval of Lessor.
22

23 (F) The "**Restoration Period**" for any Expired Leased Premises shall be one (1) year
24 from the date when this Lease has expired, terminated or been surrendered as to
25 such Expired Lease Premises; provided that the Restoration Period may be
26 extended to provide additional time for Lessee to fulfill obligations under this
27 Article. To obtain such an extension, Lessee shall appear before Lessor to make
28 such request and present an abandonment plan for the Expired Leased Premises
29 and a time schedule to fulfill its obligation to properly plug and abandon such
30 wells located on, remove from the premises such structures and facilities serving
31 and Restore the Expired Leased Premises in accordance with this Article. Lessor
32 may grant Lessee temporary access to the Expired Leased Premises to carry out its
33 plan, or Lessor may exercise its option to pursue any and all other means available
34 to satisfy these obligations.
35

36 (G) Failure of Lessee, after notice and a reasonable opportunity to cure, to satisfy the
37 duties, responsibilities or obligations set forth in this Article shall subject Lessee to
38 liquidated damages in the amount of One Hundred (\$100.00) Dollars per day,
39 commencing the day immediately after the applicable Restoration Period. Such
40 liquidated damages shall accrue until all such duties, responsibilities and
41 obligations are fully satisfied unless Lessee, prior to expiration of the Restoration
42 Period, requests and for good cause shown receives approval from Lessor of an
43 extension of time to satisfy such requirements.
44

45 **ARTICLE 20 – NOTICES**

46
47 Any notice required or permitted to be given under this Lease must be in writing and
48 addressed to the following (or such other address(es) provided in accordance with this
49 Article):
50

51 For Lessee: Name: _____
52 Title: _____
53 Address: _____
54 _____
55 Tel. #: _____

1
2 For Lessor: Office of Mineral Resources
3 Post Office Box 2827
4 Baton Rouge, Louisiana 70821-2827
5 Telephone (225) 342-4615
6

7 Notice provided by certified mail, return receipt requested, will be deemed to have been
8 received by the addressee party on the earlier of the actual date of receipt by the addressee
9 party (as reflected by postal records) or the seventh (7th) calendar day after mailing of
10 such notice; notice provided otherwise shall be deemed given upon receipt by the
11 addressee party. Failure to update and/or maintain accurate contact information shall not
12 invalidate any notice given by any party hereto in accordance with the information of
13 record with OMR. Each party shall have the right to change its address at any time and
14 from time to time by giving written notice thereof to the other party. Upon an
15 Assignment, Lessee may also specify additional and/or alternative parties and applicable
16 information for purposes of notice hereunder.
17

18 **ARTICLE 21 - INDEMNITY AND HOLD HARMLESS**
19

20 Lessee unconditionally agrees to respond to, investigate, provide defense for, protect
21 against, save, indemnify and hold free and harmless the State, the Department of Natural
22 Resources, the Board and the OMR of, from and against any and all demands, claims,
23 causes of action, damages, judgments, costs, fees, expenses and attorney fees arising from
24 any harm, loss, injury or death to any person, or any harm, loss, damage or destruction of
25 any property resulting from any act, omission, fault or negligence of Lessee or any of
26 Lessee's officers, employees, agents, representatives, contractors, subcontractors,
27 licensees and invitees (or by any assigns or sublessees of Lessee whose Assignment is not
28 approved by Lessor in accordance with Article 4 above) in conducting activities or
29 operations in, upon or under the Leased Premises pursuant to the rights granted by this
30 Lease. The protections afforded by this provision equally apply to the officers,
31 employees, agents and representatives of the referenced governmental entities.
32

33 This general indemnity provision is in addition to and shall not be limited in any way by
34 any specific indemnity provision contained elsewhere within this Lease.
35

36 **ARTICLE 22 - NO WARRANTY OF TITLE**
37

38 (A) Notwithstanding any provision herein to the contrary, this Lease is granted and
39 accepted without any warranty of title and without any recourse against Lessor
40 whatsoever, either expressed or implied. It is expressly agreed that Lessor shall
41 not be required to return any payments received hereunder or be otherwise
42 responsible to Lessee therefor. Lessee represents that it has investigated title to the
43 Leased Premises and is satisfied with such title as Lessor may have. Lessor hereby
44 disclaims any covenant of quiet enjoyment or peaceful possession of the Leased
45 Premises.
46

47 (B) Lessor makes no warranties as to the condition of the Leased Premises and Lessee
48 accepts the Leased Premises "AS IS". Lessor has no obligation to make any
49 repairs, additions or improvements to the Leased Premises, and Lessor does not
50 warrant the suitability of the Leased Premises for any purposes intended by Lessee
51 or contemplated by this Lease.
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ARTICLE 23 - EXECUTORY CONTRACT

Lessor and Lessee herein agree that for so long as this Lease remains in full force and effect, it is deemed to be an executory contract and an unexpired lease within the meaning of Section 365 of the United States Bankruptcy Code (or successor statute).

ARTICLE 24 - LAW AND FORUM

Lessee agrees that the terms and provisions of this Lease shall be construed in accordance with the laws of the State of Louisiana and that the courts of this State shall be the proper forum for any litigation related to this Lease, unless such litigation is required to be filed in or is removed to a federal court of this State.

Lessee further agrees that the rule of construction requiring that the terms and provisions of an instrument be construed against the drafting party is not and shall not be applicable to this Lease.

ARTICLE 25 - CONFLICT

Notwithstanding any language herein to the contrary, this Lease and Lessee are subject to all laws, statutes, rules and regulations, state and federal, applicable to the subject matter of this Lease during the term this Lease is in force and effect, whether in whole or in part. In the event this Lease imposes on a party any duties, requirements, responsibilities or obligations greater than those under any applicable law, statute, rule or regulation, the provisions set forth herein shall control. Furthermore, Lessee shall not use this Lease or any language contained herein to circumvent any obligation which may be imposed on Lessee by any applicable law, statute, rule or regulation in effect during the term this Lease is in force and effect.

ARTICLE 26 - SEVERABILITY

This Lease sets forth the full terms of the agreement between the parties. If any provision hereof is found to be invalid for any reason, such provision shall be severed from the agreement and the remaining terms and provisions shall be fully binding upon the parties.

ARTICLE 27 - COUNTERPARTS

This Lease may be signed in any number of counterparts, each of which shall be binding on the parties and constitute the same single agreement. For convenience in recording, a signature page may be detached from any counterpart and attached to another counterpart.

1 [Lessor may execute this Lease either in authentic form using the first signature
2 block below or with a witness acknowledgment using the second signature block below.]
3

4 **THUS READ, ACCEPTED AND SIGNED** by Lessor on this ____ day of _____, 20XX at Baton Rouge,
5 Louisiana, but effective as of the Effective Date, in the presence of the undersigned competent witnesses who sign
6 their names below with Lessor and me, Notary Public, after due reading of the whole.
7

8 WITNESSES: **LESSOR: STATE MINERAL AND ENERGY BOARD**
9 for and on behalf of the STATE OF LOUISIANA

10
11 _____ By: _____
12 Print: _____ Print Name: _____
13 _____ Title: _____
14 _____
15 Print: _____
16

17
18 _____
19 Print Name: _____
20 Notary Public
21 Bar/Notary # _____
22 Commission Expires: _____
23

24 *****

25
26 **THUS READ, ACCEPTED AND SIGNED** by Lessor on this ____ day of _____, 20XX, but
27 effective as of the Effective Date, in the presence of the undersigned competent witnesses who sign their names
28 below.
29

30 WITNESSES: **LESSOR: STATE MINERAL AND ENERGY BOARD**
31 for and on behalf of the STATE OF LOUISIANA

32
33 _____ By: _____
34 Print: _____ Print Name: _____
35 _____ Title: _____
36 _____
37 Print: _____
38
39

40 **Witness Form of Acknowledgment**

41 State of Louisiana
42 Parish of East Baton Rouge
43

44 Before me, the undersigned authority in and for the foregoing jurisdiction, personally appeared
45 _____ who, upon being duly sworn by me, did state that said appearer was one of
46 the two witnesses to the execution of the foregoing instrument and saw _____
47 execute said instrument as _____ of the State Mineral and Energy Board for and on behalf of
48 the State of Louisiana as the free act and deed of said Board and the State of Louisiana in the presence of said
49 appearer and _____, the other subscribing witness.
50

51 Sworn to and signed before me on this
52 _____ day of _____, 20____.
53 _____
54 Print Name: _____
55

56 Print Name: _____
57 Notary Public
58 Bar/Notary # _____
59 Commission Expires: _____
60

1 [The original Lessee may execute this Lease either in authentic form using the first
2 signature block below or with a witness acknowledgment using the second signature
3 block below.]
4

5 **THUS READ, ACCEPTED AND SIGNED** by Lessee on this ____ day of _____, 20XX at
6 _____, State of _____, but effective as of the Effective Date, in the presence of the undersigned
7 competent witnesses who sign their names below with Lessee and me, Notary Public, after due reading of the
8 whole.
9

10 WITNESSES: **LESSEE:** _____
11 _____
12 _____ By: _____
13 Print Name: _____ Print Name: _____
14 _____ Title: _____
15 _____
16 Print Name: _____
17
18

19 _____
20 Print Name: _____
21 Notary Public
22 Bar/Notary # _____
23 Commission Expires: _____
24

25 *****

26
27 **THUS READ, ACCEPTED AND SIGNED** by Lessee on this ____ day of _____, 20XX, but effective as
28 of the Effective Date, in the presence of the undersigned competent witnesses, who sign their names below.
29

30 WITNESSES: **LESSEE:** _____
31 _____
32 _____ By: _____
33 Print Name: _____ Print Name: _____
34 _____ Title: _____
35 _____
36 Print Name: _____
37
38

39 **Witness Form of Acknowledgment for Lessee that is not an Individual**

40 State of _____
41 Parish/County of _____
42

43 Before me, the undersigned authority in and for the foregoing jurisdiction, personally appeared
44 _____ who, upon being duly sworn by me, did state that said appearer was one of the
45 two witnesses to the execution of the foregoing instrument and saw _____ execute said
46 instrument as _____ of _____ as the free act and deed of
47 said entity in the presence of said appearer and _____, the other subscribing witness.
48

49 Sworn to and signed before me on this
50 _____ day of _____, 20____. _____
51 Print Name: _____
52 _____
53 _____
54 Print Name: _____
55 Notary Public
56 Bar/Notary # _____
57 Commission Expires: _____
58

Witness Form of Acknowledgment for Individual Lessee

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State of _____
Parish/County of _____

Before me, the undersigned authority in and for the foregoing jurisdiction, personally appeared _____ who, upon being duly sworn by me, did state that said appearer was one of the two witnesses to the execution of the foregoing instrument and saw _____ execute said instrument as his/her free act and deed in the presence of said appearer and _____, the other subscribing witness.

Sworn to and signed before me on this _____ day of _____, 20____.

Print Name: _____

Print Name: _____

Notary Public

Bar/Notary # _____

Commission Expires: _____